



*Okehampton Town Council*

# **OKEHAMPTON TOWN COUNCIL**

## **Financial Regulations**

**Adopted by the Council on 7 December 2015**

# Okehampton Town Council

## Financial Regulations

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These Financial Regulations were approved and recommended by the Policy & Resources Committee on 16 November 2015 and are subject to annual review.

Next review due December 2016.

## **1. GENERAL**

- 1.1 The conduct of the affairs of the Council is governed by the statutes, statutory instrument and proper practice for town and parish councils and Standing Orders of the Council. These regulations should therefore be read in conjunction with those and any other policies or procedures referred to in this document. Any contract or grant condition entered into by the Council that imposes additional conditions shall also have precedence over these regulations.
- 1.2 The financial regulations (Regulations) govern the conduct of financial management by Okehampton Town Council (the Council) and may only be amended or varied by resolution of the Council. The Council is responsible in law for ensuring that its financial management is adequate and effective and that there is a sound system of financial control, which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk and for the prevention and detection of fraud and corruption. The Regulations are designed to demonstrate how the Council meets these responsibilities.
- 1.3 The Responsible Financial Officer (RFO) is a statutory office and shall be appointed by the Council. The Town Clerk has been appointed as RFO for Okehampton Town Council and the Regulations will apply accordingly. The RFO, acting under the policy direction of the Policy and Resources (P&R) Committee, shall administer the Council's financial affairs in accordance with proper practices. The RFO shall determine on behalf of the Council its accounting records, and accounting control systems. The RFO shall ensure that the accounting control systems are observed and that the accounting records of the Council are maintained and kept up to date in accordance with proper practices.
- 1.4 The RFO shall produce financial management information as required by the Council.
- 1.5 At least once a year, prior to approving the annual return, the Council shall conduct a review of the effectiveness of its system of internal control, which shall be in accordance with proper practices.
- 1.6 In these financial regulations, references to the Accounts and Audit Regulations shall mean latest regulations issued and currently in force.
- 1.7 In the Regulations the term 'proper practice' or 'proper practices' shall refer to guidance issued in Governance and Accountability in Local Councils in England and Wales – a Practitioners' Guide which is published jointly by NALC and SLCC and updated from time to time.
- 1.8 The RFO is responsible for ensuring that all payments are legal and within the powers of the Council.
- 1.9 The Council must approve the setting up of and any changes to accounts with banks or other financial institutions.

- 1.10 The Council must approve entry into a 'pooling' or 'sweep' arrangement whereby the bank periodically aggregates the Council's various balance via automatic transfers.
- 1.11 If held, corporate credit card accounts must be set up to operate within defined limits and cleared monthly by direct debit from the main bank account.
- 1.12 Those with direct responsibility for money must undertake appropriate training from time to time.
- 1.13 The Council has considered Appendix 10 of Governance and Accountability 2014 and has addressed the segregation of duties that relate to all aspects of the Council's control of money. It has ensured that, where weaknesses exist, compensating controls have been put in place to address those weaknesses and is therefore confident that, so far as practical, it has addressed the security of money and risk of fraud, theft or error in relation to its monetary transactions.

Councillors who have been assigned scrutiny roles in managing the Council's money are committed to doing so diligently and ensuring they have the appropriate training and updating in the area for which they have responsibility. The Council is committed to supporting such training.

The Council will review the arrangements for managing money annually.

## **2. ANNUAL ESTIMATES (BUDGET)**

- 2.1 Each Committee shall formulate and submit proposals to the Policy and Resources Committee in respect of revenue and capital including the use of reserves and all sources of funding for the following financial year not later than the 15<sup>th</sup> November each year.
- 2.2 Detailed estimates of all receipts and payments including the use of reserves and all sources of funding for the year shall be prepared each year by the RFO in the form of a budget to be considered by the P&R Committee.
- 2.3 The P&R Committee shall review the budget each year during December and shall recommend the Precept to be levied for the ensuing financial year to the Council. The RFO shall issue the precept to the billing authority and shall supply each member with a copy of the approved budget.
- 2.4 The annual budgets shall form the basis of financial control for the ensuing year.

### **3 BUDGETARY CONTROL**

- 3.1 Expenditure on revenue items may be incurred up to the amounts included for that class of expenditure in the approved budget.
- 3.2 No expenditure may be incurred that will exceed the amount provided, in excess of £2000, in the revenue budget for that class of expenditure. During the budget year, and with the approval of the Council having considered fully the implications for public services, unspent and available amounts may be moved to other budget headings or to an earmarked reserve as appropriate.
- 3.3 The RFO shall provide monthly management accounts to the P&R Committee, to include a statement of receipts and payments under each budget heading, showing variance of planned (budgeted) and actual income and expenditure.
- 3.4 The RFO may incur expenditure on behalf of the Council which is necessary to carry out any repair replacement or other work which is of such extreme urgency that it must be done at once, whether or not there is any budgetary provision for the expenditure, subject to a limit of £1000. The Clerk shall report the action to the Council as soon as practicable thereafter.
- 3.5 Unspent provisions in the revenue budget shall not be carried forward to a subsequent year unless placed in an earmarked reserve by resolution of the Council.
- 3.6 No expenditure shall be incurred in relation to any capital project and no contract entered into or tender accepted involving capital expenditure unless the P&R Committee are satisfied that the necessary funds are available, or the requisite borrowing approval has been obtained.
- 3.7 All capital works shall be administered in accordance with the Council's Standing Orders and Regulations relating to contracts.
- 3.8 Virements – The budget control level for committee expenditure be defined as expenditure on staff, on other revenue activities and capital expenditure. Provided that overall expenditure is contained within approved totals for these sections of the budget the budget may be adjusted by the RFO without reference to the Committee. A virement may be made by a budget holding committee without reference to P&R where the RFO confirms the adjustment does not result in any identified ongoing increased contractual obligation to the Council in future years. The P&R Committee shall consider all other virements. The P&R Committee may approve virements that do not impact on future years or require the use of additional reserves which shall be determined by the Council.

### **4. ACCOUNTING AND AUDIT**

- 4.1 All accounting procedures and financial records of the Council shall be determined by the RFO in accordance with the Accounts and Audit Regulations.

- 4.2 The RFO shall complete the annual financial statements of the Council, including the Council's annual return, as soon as practicable after the end of the financial year and shall submit them and report thereon to the Council.
- 4.3 The RFO shall complete the Accounts of the Council contained in the Annual Return (as supplied by the Auditor appointed from time to time) and shall submit the Annual Return for approval and authorisation by the Council within the timescales set by the Accounts and Audit Regulations.
- 4.4 The Council shall ensure that there is an adequate and effective system of internal audit of the Council's accounting, financial and other operations in accordance with proper practices. Any officer or member of the Council shall, if the RFO or Internal Auditor requires, make available such documents of the Council which appear to the RFO or Internal Auditor to be necessary for the purpose of the internal audit and shall supply the RFO or Internal Auditor with such information and explanation as the RFO or Internal Auditor considers necessary for that purpose.
- 4.5 The Internal Auditor shall be appointed by and shall carry out the work required by the Council in accordance with proper practices. The Internal Auditor, who shall be competent and independent of the operations of the Council, shall report to Council in writing, or in person, with a minimum of one annual written report in respect of each financial year. In order to demonstrate objectivity and independence, the internal auditor shall be free from any conflicts of interest and have no involvement in the financial decision-making, management or control of the Council.
- 4.6 The RFO shall make arrangements for the opportunity for statutory inspection of the accounts, books, and vouchers and for the display or publication of any Notices and statements of account required.
- 4.7 The RFO shall, as soon as practicable, bring to the attention of all councillors any correspondence or report from the Internal or External Auditor, unless the correspondence is of a purely administrative matter.

## **5. BANKING ARRANGEMENTS AND CHEQUES**

- 5.1 The Council's banking arrangements, including the Bank Mandate, shall be made by the RFO and approved by the Council. They shall be regularly reviewed for efficiency.
- 5.2 A schedule of the payments required shall be prepared by the RFO and, together with the relevant invoices, shall be presented for signature by 2 Councillors who are bank signatories. A schedule of payments made shall be included in the monthly management accounts and, if in order, it shall be authorised by a resolution of the P & R Committee or Council and shall be signed by the Chair of the relevant meeting.
- 5.3 Payments drawn on the bank account in accordance with the schedule referred to in paragraph 5.2 or in accordance with paragraph 6.4 shall be signed by two members of Council, and where practicable one of these members shall be the Chair of Policy and Resources Committee.

- 5.4 Bank reconciliations for all bank accounts shall be performed at least monthly, included with the management accounts and initialled as correct by the Chair of the P & R Committee.
- 5.5 The Council must approve every bank mandate, the list of authorised signatures for each account, the limits of authority for each account signature and any amendments to mandates.
- 5.6 The Chair of P&R and RFO can arrange short-term investment of funds on interest-bearing deposit accounts with either NatWest or Nationwide bank in the name of Okehampton Town Council. All the transfers of funds from one of the Council's deposit accounts must be made either into another of the Council's existing deposit accounts or into the Council's main current account. The closing of an existing account or the setting up of a new account must be approved by Council.

## **6 PAYMENT OF ACCOUNTS**

- 6.1 The Council will make safe and efficient arrangements for the making of its payments.
- 6.2 When payments have been approved by the Council and the Accounts Outstanding & Addendum to the Accounts Outstanding signed by 2 Councillors who are bank signatories, then payments can be made using online banking or cheques
- 6.3 Urgent payments or pre-payment requisitions must be signed by 2 Councillors, and if payments are made by internet banking transfer, evidence showing which members approved the payment shall be retained.
- 6.4 All invoices for payment shall be examined, verified and certified by the RFO. The RFO shall satisfy him/herself that the work, goods or services to which the invoice relates shall have been received, carried out, examined and approved.
- 6.5 The RFO shall be responsible for the arithmetical accuracy, analysis and allocation to the appropriate expenditure heading. The RFO shall take steps to settle all invoices submitted, and which are in order, at the next available Council Meeting.
- 6.6 If a payment is necessary to avoid a charge of interest under the Late Payment of Commercial Debts (Interest) Act 1998, and the due date for payment is before the next scheduled Meeting of Council, where the RFO certifies that there is no dispute or other reason to delay payment, the RFO may (notwithstanding para 6.3) take all steps necessary to settle such invoices provided that a list of such payments shall be submitted to the next appropriate meeting of Council.
- 6.7 The RFO may provide petty cash to officers for the purpose of defraying operational and other expenses. Vouchers for payments made shall be forwarded to the RFO with a claim for reimbursement:
  - a) The RFO shall maintain an appropriate petty cash float for the purpose of defraying operational and other expenses. Vouchers for payments made from petty cash shall be kept to substantiate the payment.

b) Income received must not be paid into the petty cash float but must be separately banked, as provided elsewhere in these regulations.

c) Payments to maintain the petty cash float shall be shown separately on the schedule of payments presented to Council under 5.2 above.

Payment for utility supplies (energy, telephone and water) PAYE, VAT, County and Borough Councils and suppliers may be made by variable Direct Debit or payment by Internet Banking provided that the approval is signed by two Councillors who are bank signatories and any payments are reported to council as made. The approval of the use of a variable Direct Debit and Internet Banking shall be renewed by resolution of the council at least every year.

6.8 Where internet banking arrangements are made with any bank, the RFO shall be appointed as the Service Administrator. The bank mandate approved by the Council shall identify a number of councillors who will be authorised to approve transactions on these accounts. The bank mandate will state clearly the amounts of payments that can be instructed by the use of the Service Administrator alone, or by the Service Administrator with a stated number of approvals.

6.9 Access to any internet banking accounts shall be directly to the access page and not through a search engine or e-mail link. Remembered or saved password facilities must not be used on any computer used for Council banking work. Breach of this Regulation will be treated as a very serious matter under these Regulations.

6.10 Changes to account details for suppliers, which are used for internet banking, must be made by written hard copy notification by the supplier and supported by hard copy authority for change signed by two Member signatories. A programme of regular checks of stored data of suppliers will be carried out.

## **7 PAYMENT OF SALARIES**

7.1 As an employer, the Council shall make arrangements to meet fully the statutory requirements placed on all employers by PAYE and National Insurance legislation. The payment of all salaries shall be made in accordance with payroll records and the rules of PAYE and National Insurance currently operating, and salaries shall be as agreed by Council.

7.2 Payment of salaries and payment of deductions from salary such as may be made for tax, national insurance and pension contributions, or similar statutory or discretionary deductions, may be made in accordance with the payroll records and on the appropriate dates stipulated in employment contracts, provided that the schedule for salary payments is countersigned by the Mayor or Chair of P&R and total payment is reported to and ratified by the next available Council Meeting as part of the scrutiny of management accounts.



## **8 LOANS AND INVESTMENTS**

- 8.1 All loans and investments shall be negotiated in the name of the Council and shall be for a set period in accordance with Council policy.
- 8.2 The Council shall implement an Investment Policy which shall be in accordance with relevant regulations, proper practices and guidance. This Policy shall be reviewed annually.
- 8.3 All investments of money under the control of the Council shall be in the name of the Council.
- 8.4 All borrowings shall be effected in the name of the Council, after obtaining any necessary borrowing approval. Any application for borrowing approval shall be approved by Council as to terms and purpose. The terms and conditions of borrowings shall be reviewed at least annually.
- 8.5 All investment certificates and other documents relating thereto shall be retained in the custody of the RFO.

## **9 INCOME**

- 9.1 The collection of all sums due to the Council shall be the responsibility of and under the supervision of the RFO.
- 9.2 Particulars of all charges to be made for work done, services rendered or goods supplied shall be agreed annually by the P & R Committee, notified to the RFO and the RFO shall be responsible for the collection of all accounts due to the Council.
- 9.3 The Council will review all fees and charges annually, following a report of the Clerk.
- 9.4 Any sums found to be irrecoverable and any bad debts shall be reported to the Council and shall be written off in the year.
- 9.5 All sums received on behalf of the Council shall be banked intact as directed by the RFO. In all cases, all receipts shall be deposited with the Council's bankers with such frequency as the RFO considers necessary.
- 9.6 The origin of each receipt shall be entered on the paying-in slip.
- 9.7 Personal cheques shall not be cashed out of money held on behalf of the Council.
- 9.8 The RFO shall promptly complete any VAT Return that is required.
- 9.9 Where any significant sums of cash are regularly received by the Council, the RFO shall take such steps as are agreed by the Council to ensure that more than one person is present when the cash is counted in the first instance, that there is a reconciliation to some form of control such as ticket issues, and that appropriate care is taken in the security and safety of individuals banking such cash.

## **10 ORDERS FOR WORK, GOODS AND SERVICES**

- 10.1 An official order or letter shall be issued for all work, goods and services unless a formal contract is made or an official order would be inappropriate as decided by the RFO. Copies of orders shall be retained.
- 10.2 Order books shall be controlled by the RFO.
- 10.3 All Members and Officers are responsible for obtaining value for money at all times. An officer issuing an official order shall ensure as far as reasonable and practicable that the best available terms are obtained in respect of each transaction, usually by obtaining three or more quotations or estimates from appropriate suppliers, subject to any de minimis provisions in Regulation 11 (I) below.

## **11 CONTRACTS**

- 11.1 Procedures as to contracts are laid down as follows:
  - (a) Every contract shall comply with these financial regulations, and no exceptions shall be made otherwise than in an emergency provided that these regulations shall not apply to contracts which relate to items (i) to (vi) below:
    - (i) for the supply of gas, electricity, water, sewerage and telephone services;
    - (ii) for specialist services such as are provided by solicitors, accountants, surveyors and planning consultants;
    - (iii) for work to be executed or goods or materials to be supplied which consist of repairs to or parts for existing machinery or equipment or plant;
    - (iv) for work to be executed or goods or materials to be supplied which constitute an extension of an existing contract by the Council;
    - (v) for additional audit work of the external Auditor.
    - (vi) for goods or materials proposed to be purchased which are proprietary articles and/or are only sold at a fixed price.
  - (b) Where it is intended to enter into a contract exceeding £75,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the RFO shall invite tenders from at least three firms.
  - (c) When applications are made to waive financial regulations relating to contracts to enable a price to be negotiated without competition the reason shall be embodied in a recommendation to the Council.
  - (d) Such invitation to tender shall state the general nature of the intended contract and the Clerk shall obtain the necessary technical assistance to prepare a specification in appropriate cases. The invitation shall in addition state that tenders must be addressed to the RFO in the ordinary

course of post. Each tendering firm shall be supplied with a specifically marked envelope in which the tender is to be sealed and remain sealed until the prescribed date for opening tenders for that contract.

- (e) All sealed tenders shall be opened at the same time on the prescribed date by the RFO in the presence of the Chair of Finance and one other member of the P&R Committee. If the Chair is unavailable another member of P&R Committee shall be present.
- (f) If less than three tenders are received for contracts above £75,000 or if all the tenders are identical the Council may make such arrangements as it thinks fit for procuring the goods or materials or executing the works.
- (g) When it is to enter into a contract less than £75,000 and more than £10,000 in value for the supply of goods or materials or for the execution of works or specialist services other than such goods, materials, works or specialist services as are excepted as set out in paragraph (a) the RFO shall seek not less than 3 quotations (priced descriptions of the proposed supply); where the value is below £10,000 and above £2,500 the Clerk shall strive to obtain 3 estimates. Otherwise, Regulation 10 (3) above shall apply.
- (h) The Council shall not be obliged to accept the lowest or any tender, quote or estimate.
- (i) The successful tenderers for major capital contracts will be asked to provide the guarantee of an insurance company bond or other suitable insolvency cover approved by the Council in a sum normally equal to 10% of the tender sum.

## **12. PAYMENTS UNDER CONTRACTS FOR BUILDING OR OTHER CONSTRUCTION WORKS**

- 12.1 Payments on account of the contract sum shall be made within the time specified in the contract by the RFO upon authorised certificates of the architect or other consultants engaged to supervise the contract (subject to any percentage withholding as may be agreed in the particular contract).
- 12.2 Where contracts provide for payment by instalments the RFO shall maintain a record of all such payments. In any case where it is estimated that the total cost of work carried out under a contract, excluding agreed variations, will exceed the contract sum by 10% or more a report shall be submitted to the Council.
- 12.3 Any variation to a contract or addition to or omission from a contract must be approved by the Council and Clerk to the Contractor in writing, the Council being informed where the final cost is likely to exceed the financial provision.

## **13 STORES AND EQUIPMENT**

- 13.1 Members of staff in charge of each section shall be responsible for the care and custody of stores and equipment in that section.

- 13.2 Delivery Notes shall be obtained in respect of all goods received into store or otherwise delivered and goods must be checked as to order and quality at the time delivery is made.
- 13.3 Stocks shall be kept at the minimum levels consistent with operational requirements.
- 13.4 The RFO shall be responsible for periodic checks of stocks and stores at least annually.

## **14 ASSETS, PROPERTIES AND ESTATES**

- 14.1 The Clerk shall make appropriate arrangements for the custody of all title deeds and Land Registry Certificates of properties owned by the Council. The RFO shall ensure a record is maintained of all properties owned by the Council, recording the location, extent, plan, reference, purchase details, nature of the interest, tenancies granted, rents payable and purpose for which held in accordance with Accounts and Audit Regulations.
- 14.2 No property shall be sold, leased or otherwise disposed of without the authority of the Council, together with any other consents required by law, save where the estimated value of any one item of tangible movable property does not exceed £250.
- 14.3 The RFO shall ensure that an appropriate and accurate Register of Assets and Investments is kept up to date. The continued existence of tangible assets shown in the Register shall be verified at least annually, where appropriate in conjunction with a health and safety inspection of the asset.

## **15 INSURANCE**

- 15.1 Following the annual risk assessment (per Financial Regulation 16), the RFO shall effect all insurances and negotiate all claims through the Council's insurers.
- 15.2 The RFO shall give prompt notification to the Insurer of all new risks, properties or vehicles which require to be insured and of any alterations affecting existing insurances.
- 15.3 The RFO shall keep a record of all insurances effected by the Council and the property and risks covered thereby and review it annually.
- 15.4 The RFO shall be notified of any loss, liability or damage or of any event likely to lead to a claim, and shall report these to Council at the next available meeting.
- 15.5 All appropriate employees of the Council shall be included in a suitable fidelity guarantee insurance which shall cover the maximum risk exposure as determined by the Council.

## **16 RISK MANAGEMENT**

- 16.1 The Council is responsible for putting in place arrangements for the management of risk. The RFO shall organise, for approval by the Council, risk management policy statements in respect of all activities of the Council. Risk policy statements and consequential risk management arrangements shall be reviewed by the Council at least annually.
- 16.2 When considering any new activity, the RFO shall prepare a draft risk assessment including risk management proposals for consideration and adoption by the Council.
- 16.3 Access to computer software containing financial information will be password protected. The passwords will be individual to members of staff or members of the Council and shall be changed on a regular basis.
- 16.4 All staff and members using computers for the Council's financial business shall ensure that anti-virus, anti-spyware, firewall and automatic updates are used, together with a high level of security.

## **17 REVISION OF FINANCIAL REGULATIONS**

- 17.1 It shall be the duty of the Council to review the Financial Regulations of the Council from time to time. The Clerk shall make arrangements to monitor changes in legislation or proper practices and shall advise the Council of any requirement for a consequential amendment to these financial regulations.

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